



**Attorney General
Lee Fisher**

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November 5, 1993

Debbie Weber
Federal Communications Commission
Common Carrier Bureau
Accounting and Audits Division
2000 L Street, N.W.
Washington, D. C. 20554

Re: *In the Matter of the Revision of the
Commission's Part 64 Requirements
for the Filing of Cost Allocation
Manuals by Certain Local Exchange
Carriers, RM 8354*

Dear Ms. Weber:

Enclosed please find the original and ten copies of the **Comments Submitted by the Public Utilities Commission of Ohio** in the above-referenced matter. Please return a time-stamped copy to me in the enclosed stamped, self-addressed envelope.

Thank you for your assistance in this matter.

Respectfully submitted,

Ann E. Henkener
Assistant Attorney General
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AEH/skm

Enclosure

Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, D.C. 20554

In the Matter of:

Revision of the Commission's
Part 64 Requirements for the
Filing of Cost Allocation
Manuals by Certain Local
Exchange Carriers

RM 8354

FEDERAL COMMUNICATIONS
COMMISSION
OFFICE OF THE
SECRETARY

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COMMENTS SUBMITTED BY
THE PUBLIC UTILITIES COMMISSION OF OHIO

The Public Utilities Commission of Ohio (PUCO) opposes the United States Telephone Association (USTA) petition for rulemaking requesting that the FCC amend Section 64.903 (a) of its rules by increasing the annual operating revenue threshold requirement for filing cost allocation manuals (CAMs) from \$100 million to \$1 billion. The PUCO believes that the current FCC requirement to file CAMs with the FCC provides a high level of regulatory control to ensure deregulated costs and revenues are segregated from regulated costs and revenues. While the affected carriers of USTA's proposal may be small in comparison to the Regional Bell Operating Companies (RBOCs), they are, nonetheless, large carriers for whom the burden of maintaining a CAM is not unreasonable. The ratepayers of the affected carriers should be afforded the same regulatory safeguards as their RBOC counterparts. The current rules and the current revenue threshold requirement should remain in full force and effect.

The telecommunications industry is undergoing unprecedented

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technological and corporate structural changes. Also, the majority of the affected carriers provide service to major urban areas where unregulated services are most likely to develop. Non-regulated activities by the carriers and their non-regulated affiliates will represent a significant portion of carrier revenues and expenses. Effective accounting safeguards are necessary to protect ratepayers from cross subsidization. The existing Part 64 rules provides a uniform and systematic framework for the apportionment of deregulated and regulated costs and revenues. The Part 64 rules provide a structure to identify carriers' corporate affiliates, and the nature, terms and frequency of affiliate transactions. The rules also ensure compliance with the established accounting policy by requiring annual independent audits.

The USTA petition would shift an unreasonable burden to the FCC and state commissions to validate the appropriate apportionment of costs between regulated and non-regulated activities for the carriers affected by its proposal. The affected carriers file CAMs with the FCC on an annual basis and must obtain an annual independent audit to determine compliance with FCC Joint Cost Orders and the FCC rules. If the USTA petition is adopted, the public would lose the opportunity to file comments on the CAMs for those carriers affected by its proposal. Also, the loss of outside auditor annual verification of CAM compliance would eliminate independent scrutiny of the apportionment process.

Compliance with Part 64 rules by the affected carriers does not impose a burden on these companies. The affected carriers have been utilizing Part 64 rules since 1987 and have put into place accounting systems consistent with the rules. Likewise, the external public accounting firms have established CAM auditing procedures in place to provide the necessary independent verification function. Minimal cost and/or time savings would result from eliminating the CAM filing requirements for these carriers. If the USTA petition is adopted, the FCC and state regulators would incur additional costs to validate the affected carriers' compliance with Part 64 rules.

The USTA asserts that "The relative costs to these carriers of the CAM and related audits is proportionately greater than it is to the other, significantly larger Tier 1 carriers." While this may be true, CAM maintenance and compliance costs represent a small portion of the affected carriers operating revenues. The regulatory controls provided by the existing CAM rules outweighs the proportionately small costs associated with their implementation.

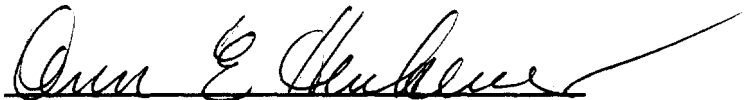
The PUCO believes that the current operating revenue threshold to require that CAMs be filed is reasonable and should be maintained. The rapidly changing structure of the telecommunications industry with increased non-regulated activities requires uniform and

clearly defined cost allocation policies and procedures. Interested parties should continue to have the opportunity to comment on CAMs for carriers as deemed appropriate. Also, audits to assure that these policies and procedures are being followed are equally important. The responsibility for maintenance and audits of the CAMs as currently structured should remain with the carriers and not be shifted to the regulator.

Respectfully Submitted,

THE PUBLIC UTILITIES COMMISSION OF OHIO

LEE FISHER
Attorney General of Ohio

A handwritten signature in cursive script, appearing to read "Ann E. Henkener", is written over a horizontal line.

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Dated: November 5, 1993